

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGES

Docket No. CP2023-155

**USPS RESPONSES TO CHAIRMAN'S INFORMATION REQUEST NO. 1,
WITH PORTIONS FILED UNDER SEAL**
(May 24, 2023)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, which was issued on May 19, 2023. Responses were due no later than May 26, 2023. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response. Certain questions were filed under seal, and the Postal Service is today filing its responses to those questions under seal. The Postal Service incorporates by reference its Application for Non-Public Treatment in this docket for the protection of the material filed under seal.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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May 24, 2023

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1. Please describe in detail how the Business Rate Card (BRC) pricing will be implemented and will operate. As part of the description, please specifically address:
 - a. the eligibility requirements for BRC pricing and enforcement thereof,
 - b. the "specified terms and conditions" for use of BRC pricing,
 - c. how "dynamic" BRC pricing will be determined and communicated, including whether the price will vary by customer or is intended to be the same for all customers at any given point in time,
 - d. how BRC pricing will differ from Merchant Rate Card pricing and other rate cards the Postal Service is using or developing,
 - e. what data on use of BRC pricing will be collected,
 - f. how data on use of BRC pricing will be reported,
 - g. software and administrative changes necessary to implement BRC pricing, and
 - h. how costs associated with the implementation and operation of BRC pricing will be attributed to the affected products.

RESPONSE:

- a. BRC rates will be restricted to business users on Click-N-Ship (CNS) who agree to terms and conditions on CNS. Individual users on CNS that do not certify that they are a business, or do not agree to the terms and conditions, will not have the option to access BRC rates and will be restricted to published Commercial rates.
- b. The exact terms and conditions are still being developed, but they will require that users must certify that they are (or represent) a business and that they will not resell or pass along the rates to a third party. The terms and conditions will also include a privacy notice, data protections, intellectual property license grant and restrictions, terms addressing payment discrepancies, and confidentiality provisions.
- c. BRC pricing will be determined by market conditions and the Postal Service's strategy, and will be communicated directly via email to BRC users. We may also be able to utilize new functionality within CNS to add a banner with notice of rate changes to BRC users on CNS. BRC pricing will be the same for all customers at any given point in time.

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- d. At the outset, BRC pricing will be set equal to the MRC pricing. The Postal Service may distinguish the two rate cards in the future as business conditions may require. No other rate cards are in use or in development at this time.
- e. For every BRC user, we will collect the same information that is collected today on every label, including all the associated package characteristics needed to determine pricing, such as weight and zone.
- f. CNS volume will be tracked, with visibility into how much comes from BRC users vs. non-BRC users. Reports will cover aggregated results, not at the user or piece level; however, that level of detail will be available for ad hoc analysis if needed.
- g. CNS software will implement the BRC in a similar way that it does for NSAs that use CNS today. The BRC rates will be available to the applicable users. The main software change is adding a check box and the terms and conditions. There will be no administrative changes other than tracking/reporting on the usage of the BRC.
- h. Costs associated with implementation and operation of BRC are de minimis, and will be no different from current costs of updating and operating CNS.

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2. Please confirm that the eligibility criteria to access Commercial rates via Click-N-Ship, implemented May 18, 2023, are the same as the eligibility requirements to access Commercial rates listed in the Mail Classification Schedule for each of the affected products. See Notice at 3. If confirmed, please explain how these eligibility requirements are being enforced on the Click-N-Ship platform. If not confirmed, please explain.

RESPONSE:

Confirmed. No additional criteria are being imposed to access Commercial rates via Click-N-Ship. Eligibility requirements will be enforced in the same manner as they are enforced across all payment methods today, as delineated in the DMM. Click-N-Ship will be added as an eligible payment method across the affected products in the DMM.

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3. Please describe the differences between Commercial pricing and BRC pricing that justify the categorization of Commercial pricing as rates of general applicability and the proposed categorization of BRC pricing as rates not of general applicability. See Notice at 1.

RESPONSE:

Commercial pricing is available to a wide range of customers, published in the Mail Classification Schedule and Notice 123, and is publicly available on USPS.com and in post offices around the country. As rates of general applicability, the Postal Service must file notice with the Commission at least thirty days in advance of any changes to Commercial pricing.

BRC pricing, on the other hand, is available only to business customers on the Click-N-Ship (CNS) platform, and these customers must agree to specified terms and conditions in order to access the rates. BRC pricing will not be published in the Mail Classification Schedule and Notice 123, and will be subject to confidentiality protections before the Commission and via CNS for all BRC users. BRC pricing will also be adjusted dynamically, as long as the rates do not fall below an established floor, to respond to rapidly changing market conditions.

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4. Commercial Plus pricing for Priority Mail and Priority Mail Express was available until January 22, 2023. Please describe the differences between Commercial Plus pricing and BRC pricing that justify the former categorization of Commercial Plus pricing as rates of general applicability and the proposed categorization of BRC pricing as rates not of general applicability. See Notice at 1.

RESPONSE:

BRC pricing is expected to be much more competitive in the market (i.e. discounted to a greater degree than former Commercial Plus pricing was), and will dynamically adjust from time to time as market conditions and postal strategy may require. Commercial Plus pricing was historically only adjusted once or twice per year, upon approval of the Governors, and filed with the Commission as a change in rates of general applicability with typically no less than sixty days' notice.

Commercial Plus pricing had a threshold volume requirement, but did not require customers to certify that they were (or represent) a business or agree to specified terms and conditions, including confidentiality, intellectual property licensing, privacy notices, and other items. Commercial Plus pricing was also publicly available, unlike BRC pricing. Please also see the Postal Service's response to Question 3.

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5. 39 U.S.C. § 102(6) defines "product" to mean "a postal service with a distinct cost or market characteristic for which a rate or rates are, or may reasonably be, applied." Please explain why the proposed new BRC prices comport with the cost and market characteristics of the existing products to which BRC prices are proposed to be added.

RESPONSE:

The BRC prices apply to existing postal products and do not deviate from the underlying cost and market characteristics of those products. BRC pricing does not add any additional costs to the underlying products, and will simply be more competitive within the existing market(s) for those products. Customers that use BRC prices will still be seeking the same underlying product attributes for the same purposes that they do today. Effectively, the same customer base will be pursuing the same product(s) as they would today at Retail or Commercial published prices (or if they choose to use a competitor for a comparable product), but would now have access to more competitive BRC prices from the Postal Service through this initiative. For example, the same small business that purchases Priority Mail at published prices on Click-N-Ship for shipment of their goods/merchandise today would, after June 15, still interact with the Postal Service on the Click-N-Ship platform to ship their goods/merchandise at BRC rates.

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6. Please provide projections of the expected costs associated with implementation and operation of BRC pricing for each affected product.

RESPONSE:

The Postal Service does not expect any measurable costs from implementing and operating BRC pricing. Costs associated with implementation and operation of BRC are de minimis, and will be no different from current costs of updating and operating CNS.